

## MEMORANDUM

TO: International Executive Committee

FROM: Lisa D. Pedersen, Assistant and Special Counsel to the President *LD*

DATE: May 29, 2015

RE: Trusteeship Hearing Officer's Report and  
Recommendation, Local No. 1208, Tar Heel, North Carolina

Attached is my report and recommendation as hearing officer for the April 23, 2015 trusteeship hearing for Local No. 1208, Tar Heel, North Carolina. To review the full transcript and exhibits from the trusteeship hearing, please contact Executive Secretary Cindy McGill in my office. Please indicate whether you adopt my findings as contained in my report and concur in my recommendation that the trusteeship be ratified and continued.

	In Favor	Against	Date
International President Anthony M. Perrone	<i>AMP</i>	_____	<i>6/1/15 via email LDP</i>
International Secretary-Treasurer Patrick J. O'Neill	<i>PJO</i>	_____	<i>6/1/15 via email JA</i>
Executive Vice President Paul R. Meinema	_____	_____	_____
Executive Vice President Stuart H. Appelbaum	_____	_____	_____
Executive Vice President Esther R. Lopez	<i>ERL</i>	_____	<i>6/3/15 via phone jlr</i>

Attachment

6/3/15: ✓ Copy to L Pedersen w/attachments  
Copy to memo file  
Original to Secretary-Treasurer's Office

JUN/02/2015/TUE 02:29 PM UFCW  
06/02/2005 10:46 FAX 416 875 6493

FAX No. 202 728 1836  
UFCW CANADA

P. 002  
0002/0002

JUN/01/2015/MON 01:16 PM UFCW

FAX No. 202 728 1836

P. 002

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International Secretary-Treasurer Patrick J. O'Neill	<i>PJO</i>	_____	<i>6/1/15 via email</i>
Executive Vice President Paul R. Meinema	<i>PRM</i>	_____	<i>6/2/15 via email</i>
Executive Vice President Stuart H. Appelbaum	<i>SHA</i> <i>(MS)</i>	_____	<i>6/2/15</i>
Executive Vice President Esther R. Lopez	_____	_____	_____

Attachment

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NO. 1782

06/02/2015/TUE 11:30AM

UFCW

RECEIVE:

NO. 1789

06/02/2015/TUE 04:03PM

UFCW

May 29, 2015

International Executive Committee  
United Food and Commercial Workers International Union  
1775 K Street, NW  
Washington DC 20006-1598

Members of the Executive Committee:

In accordance with Article 9(F)3.h) of the International Constitution and International President Marc Perrone's (President Perrone) instruction in his letter to me of April 6, 2015, appointing me as the hearing officer for the trusteeship hearing of Local No. 1208 (Local 1208), Tar Heel, North Carolina, I am submitting this report of my findings and recommendation as to whether the trusteeship of Local 1208 is justified and should be continued. Please find attached to this report the hearing transcript and the exhibits submitted at the hearing.

### **1. Procedural Overview**

By letter dated March 31, 2015, President Perrone advised the members of Local 1208 that the International Union had placed Local 1208 under trusteeship, effective that same day, and had appointed International Vice President and Region 2 Director Alvin Vincent, Jr. (Vincent) to serve as trustee of the local union. President Perrone wrote:

. . . the International Union's audit and review demonstrated that the Local Union's two top officers have engaged in and are currently engaging in financial malpractice, including mispending and mishandling of the Local Union's funds, violating the Local Union's bylaws, the International Constitution, and federal laws relating to union expenditures and the reporting of those expenditures, misleading the membership concerning those expenditures, and attempting to obstruct the [Department of Labor's] and the International Union's investigations of these matters. Also, during the relevant time period, the Local Union received funds from the International Union to support Local Union programs which exceeded the amount of mishandled funds.

President Perrone explained that the International Executive Committee concluded that an emergency situation existed which required the International Union to

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take prompt and immediate action pursuant to Article 9(F) of the International Constitution, and place Local 1208 in trusteeship.

By letter dated April 6, 2015, President Perrone appointed me to serve as the hearing officer and instructed me to submit a transcript of the proceedings, together with my findings and recommendation to the International Executive Committee.

On April 6, 2015, President Perrone sent a letter to the members of Local 1208 notifying them that a hearing would be held on Friday, April 23, 2015, at The Double Tree Hotel, Room Salon A, 1965 Cedar Creek Road, Fayetteville, North Carolina, between the hours of 10 a.m. and 1 p.m. and 6 and 8:30 p.m. unless, in the judgment of the hearing officer, additional time was necessary to complete the introduction of all evidence. The letter explained that the purpose of the hearing was to receive evidence to determine whether the trusteeship was justified and should be continued. In addition, President Perrone stated that the hearing would be open to all active members of Local 1208. On April 8, 2015, President Perrone sent a letter to the members of Local 1208 correcting the day of the hearing from Friday, April 23, 2015, to Thursday, April 23, 2015.

The hearing commenced on April 23, 2015, at approximately 10 a.m. and concluded the same day at approximately 8:30 p.m. International Vice President Vincent was the representative who presented the case for the trusteeship. The members of Local 1208, who were officers at the time the trusteeship was imposed, were given the opportunity to testify, present witnesses and other evidence, and cross-examine the trustee's and other witnesses. In addition, all members of Local 1208 were given an opportunity to testify on their own behalf.

Trustee Vincent called eight (8) witnesses, including himself, three (3) members of Local 1208's executive board and four (4) International Union employees, and offered eleven (11) exhibits into the record in support of the trusteeship. No Local 1208 officers, who were officers at the time of the hearing, testified or presented evidence on their own behalf. Three (3) members of Local 1208 testified at the hearing on their own behalf in support of the trusteeship.

My findings, which follow below, are based on the testimony provided, as contained in the hearing transcript, and the exhibits introduced at the hearing.

## **II. Findings**

Beginning on March 11, 2015, the International Union undertook an audit and review of Local 1208's finances covering the period from January 2012 through March 2015. Administrative Assistant to the Secretary-Treasurer/Chief Auditor Reginald Malley (Malley), who conducted the audit and review, was assisted by Vincent, Region 2 Executive Assistant Beth Pointer, Special Assistant to the Director of Food

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Processing, Packing & Manufacturing Division Bobby Gorham, and Assistant General Counsel Deborah Gaydos. The audit included, among other things, examining financial assets and records of the local union and interviewing Local 1208's top two officers, other executive board members, and employees of Local 1208.

The audit revealed that Local 1208 President Keith Ludlum (Ludlum) and Secretary-Treasurer Terry Slaughter (Slaughter) engaged in financial malpractice, including misspending and mishandling of Local 1208's funds, violated the local union's bylaws, the International Constitution and federal law related to union expenditures and the reporting of those expenditures, misled the membership concerning expenditures, and attempted to obstruct ongoing investigations by the Department of Labor (DOL) and the International Union. During the period audited, the International Union paid a subsidy to Local 1208 of over \$733,000.

The audit and review revealed Local 1208's president and secretary-treasurer engaged in financial malpractice by paying for personal trips using union funds. In February of 2012, the president and secretary-treasurer used union funds to pay for a trip to an all-inclusive resort in the Dominican Republic for themselves and other officers/members of Local 1208. Ludlum, Slaughter, as well as three local union executive board members, Adalberto Santana (Santana), Victor Victoria (Victor), and Lidia Victoria (Lidia) traveled to Punta Cana, Dominican Republic, and stayed at an all-inclusive resort from April 5 through April 12, 2012. There was no training, team building, or other union business purpose for the trip; it was a vacation for the officers. Santana and Lidia initially offered to pay Ludlum for their portion of the costs associated with the trip, but were informed by Ludlum it was a gift and that he was personally paying for the trip.<sup>1</sup> Slaughter also told the International Union that Ludlum had initially indicated the trip was a personal gift from him (Ludlum). Ludlum, however, used Local 1208's funds to pay for the trip. There was no legitimate business purpose for the trip. The trip to the Dominican Republic cost more than \$5,000.<sup>2</sup>

During the International Union's audit and review, the president of Local 1208 asked Santana and Lidia to lie to the International Union regarding the purpose of the trip to the Dominican Republic. Further, Slaughter asked Santana to lie to the International Union if asked about the reason for the trip and to say it was for training

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<sup>1</sup> Santana and Lidia indicated at the hearing that they will be reimbursing Local 1208 for their portion of the costs associated with the trip to the Dominican Republic.

<sup>2</sup> Malley's report to International Secretary-Treasurer Patrick J. O'Neill, admitted as Trustee Exhibit 2, as well as his testimony at the hearing, indicated the cost of the trip was \$8,308.50. The receipt for the trip attached to Exhibit 2, however, indicated the cost of the trip was \$5,748. Following the hearing and after the record was closed, Malley submitted an affidavit indicating the receipt attached to his report contained the accurate cost of the trip, and that his report and testimony were inaccurate with respect to the cost of the Punta Cana trip. I decline to open the record at this time to add the affidavit and rely instead on the uncontested evidence presented at the hearing that the trip to Punta Cana cost more than \$5,000.



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purposes. Slaughter, himself, initially claimed to the International Union that the trip was for training purposes, but later conceded it was a vacation for the officers.

Local 1208's president and Dilcia Rodriguez, a member of Local 1208, and at the time, the girlfriend of Local 1208's president, took a trip to Sea World in Orlando, Florida in October of 2013. Ludlum reportedly told the International Union the trip was a presidential retreat, for the purpose of relieving stress and unwinding. Ludlum used the union debit card to charge \$469.99 for the cost for the hotel and facility passes. Additional costs associated with the trip could not be determined at the time the audit was conducted. There was no legitimate business purpose for the Sea World trip.

The local union executive board did not authorize or approve the expenses for the trips to the Dominican Republic or to Sea World.

The local union president and secretary-treasurer engaged in financial malpractice by spending Local 1208 funds on recreational vehicles, hunting supplies, and furniture for personal use. Local 1208 purchased two all-terrain vehicles (ATV's) and a storage trailer using Local 1208's debit card. The ATV's were not kept at Local 1208, but were stored using the trailer at Ludlum's personal residence. International Union witnesses stated that Ludlum claimed during the audit that the ATV's were purchased to pull floats in parades, although he conceded they had not been used for this purpose since they were purchased a year earlier. Ludlum also reported the ATV's were used for two scouting trips around a facility (Mountaire Farms) Local 1208 was seeking to organize. The ATV's had been purchased in April of 2014. At the time of the audit in March 2015, the speedometers for the ATV's reflected one of the ATV's had been driven 380 miles and the other had been driven 243 miles. ATV's could have been rented in Fayetteville, North Carolina at a cost of between \$90 and \$475 per day. Thus, if Local 1208 had an occasional use for the vehicles they could have simply rented them for the day. No evidence was presented to demonstrate the vehicles were actually used for union business. Local 1208 paid \$16,228.15 for the two ATV's and auxiliary items and \$4,327 for the storage trailer, for a total cost of \$20,555.15.

Local 1208's executive board did not authorize or approve the expenditures associated with the ATV's or trailer.

The president and secretary-treasurer also used union funds to purchase hunting supplies for personal use. For instance, a shotgun was purchased from Gander Mountain, a hunting supply store, on Local 1208's credit card. The shotgun was purchased in April 2014, allegedly for the purpose of being used as part of a raffle to the membership. No such raffle had been conducted following the purchase of the shotgun and none was scheduled. The shotgun was kept at Ludlum's personal residence. Slaughter reported to the Special Assistant to the Food Processing, Packing & Manufacturing Division Director Bobby Gorham (Gorham) that numerous other

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purchases were made from Gander Mountain, totaling in excess of \$1,000, using Local 1208's funds that were actually for his and Ludlum's personal use. The purchases did not serve a legitimate business purpose.

Local 1208's executive board did not authorize or approve a number of purchases made by Local 1208's president and secretary-treasurer for hunting supplies purchased at Gander Mountain.

Local 1208's secretary-treasurer used Local 1208's debit card to purchase a sofa, loveseat, and rocker/recliner for personal use from a furniture store, Rooms-To-Go. The items were delivered to Slaughter's personal residence and not the local union. Slaughter initially told Executive Assistant to the Region Director Bethanie Pointer (Pointer) that the purchase was for a couch, loveseat, and an ottoman (as opposed to the rocker/recliner that is listed on the receipt obtained from Rooms-To-Go) that were in his office. The second time Pointer asked him about the furniture, he stated the loveseat and ottoman were kept in a shed outside of Local 1208's office because they didn't fit in his office. He claimed rats ate them in the shed, and that he had to throw them away. The third time he was questioned, Pointer informed him the International Union knew the furniture was delivered to his residence and Slaughter admitted it had been delivered to his home and not the office. Slaughter claimed, however, he had given it away to a member whose house had burned down. Pointer stated Slaughter was unable to identify the member that received the couch other than by the nickname "Doobie". The sofa in Slaughter's office is black, and is not the same color as the one purchased from Rooms-To-Go, which was latte colored. The color of the couch purchased from Rooms-To-Go is similar to the color of the couch in Slaughter's home. The furniture was not purchased for and was never used by the local union. The above listed furniture did not serve a legitimate business purpose. The cost of the sofa, loveseat, and rocker/recliner was \$1,283.96.

Local 1208's executive board did not authorize or approve the purchase of the furniture.

Local 1208's president and secretary-treasurer also engaged in financial malpractice by providing Local 1208 monies and benefits to individuals without a legitimate business purpose. The local union president wrote a series of checks from Local 1208 to Reyna Paulino (Paulino), the mother of Dilcia Rodrigues, his then girlfriend, totaling over \$14,000. Twenty-six (26) payments were made to Paulino reportedly for research and consulting. Ludlum told the International Union that the payments were for conducting research on a campaign being conducted in coordination with the International Union – the Mountaire Farms Campaign (Mountaire). Specifically, Ludlum claimed the payments were for research on tracking USDA codes at grocery stores to see if Mountaire products were being sold in Maryland, New Jersey, and New York. International Representative Andre M. Barnett (Barnett), who was overseeing the Mountaire campaign, stated he was unaware of any such research and, further, could

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think of no purpose for conducting this type of research. There was also no report or other evidence of work produced by Paulino for Local 1208. The checks to Paulino were signed by Ludlum, but Slaughter reported to the International Union that his signature was forged on the checks.<sup>3</sup> The payments did not serve a legitimate business purpose.

Local 1208's executive board did not approve or authorize the payments.

The local union president also engaged in financial malpractice by using union funds to pay for a rental car for personal use by Richard Pait (Pait), Ludlum's son or stepson. Ludlum originally informed the International Union Pait had simply borrowed the car for a weekend while his (Pait's) car was broken down. A couple of days later, Ludlum stated he had misspoken and that Pait had regular use of a rental car to perform research for the Mountaire campaign. The research allegedly involved Pait visiting grocery stores in the area where he attended school to look for USDA codes to verify if Mountaire products were sold by grocery stores. As discussed above, Barnett, the director of the Mountaire campaign, was unaware of any such research and, in any event, did not believe the research served any campaign purpose. There was no legitimate business purpose for the personal use by Ludlum's son of the rental vehicle. Local 1208's available records are not sufficient to demonstrate the full amount spent on the rental vehicle.

Local 1208's executive board did not approve or authorize the expenditure for the rental car for Pait's use.

Further, following the audit and in preparation of the hearing, the International Union discovered a number of other acts of financial malpractice by the two top officers of Local 1208. For instance, Local 1208's president made cash withdrawals from Local 1208's account and purchases with Local 1208 funds in New Jersey and New York without a legitimate business purpose. Using Local 1208's debit card in New Jersey, Ludlum withdrew \$500 on March 25, 2014, \$300 on July 2, 2014, and \$500 on July 7, 2014. Ludlum stated to the International Union that he did not know the purpose of the withdrawals, but admitted to making the withdraws and to being in New Jersey on non-union business at the time the withdrawals were made visiting his then girlfriend's mother (Paulino). There was no legitimate business purpose for the withdrawals.

Ludlum also made a number of purchases during the period of December 23-26, 2013 while visiting New Jersey. Documents reveal Ludlum charged expenses to the local union's credit card at, among other establishments, a men's store,

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<sup>3</sup> I credit the testimony from Groham that Slaughter told the International Union that he did not sign the checks to Paulino, but find there is insufficient evidence in the record to determine that Slaughter's signatures on the checks were in fact forged.



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a shoe store, a Toys-R-Us, other retail stores, and a hotel during the three days. The purchases amounted to \$1,684. Ludlum did not respond to the International Union's attempts to contact him regarding these expenses, but there appears to be no legitimate purpose to the purchases.

Additionally, following the audit and in preparation for the hearing, the International Union discovered Slaughter purchased a Samsung television and sound bar using union funds. Slaughter initially told the International Union the items were at Local 1208's offices. Local 1208's offices contain a Sharp television but there was no evidence a Samsung television or sound bar was ever purchased for or used by Local 1208. Later, Slaughter claimed to the International Union that Local 1208 had raffled off the items. Finally, Slaughter stated the items were given to a member whose house had burned down. The cost of the television and sound bar was \$1,793.29.

Slaughter also purchased a basket of flowers using the union credit card to be delivered to New York. Pointer discovered the receipt for the flowers on Slaughter's desk, which indicated he was sending the basket to a family member. The purchase was made on March 18, 2015, after the international Union began its audit and review. The cost of the arrangement was \$65.27. There was no legitimate business purpose for the purchase.

The president and secretary-treasurer failed to properly administer the finances and affairs of the local union in compliance with federal laws, the local union's bylaws, and the International Constitution. The purchases and expenditures above were made in violation of the International Constitution and Local 1208's bylaws, which require the funds and property of the local union be used for the sole use and benefit of the local union. They did not properly report the above expenses to the local union executive board or obtain proper authorization or approval for payment.

Further, the local union did not maintain accurate minutes of executive board meetings concerning approvals for local union expenditures and altered the executive board minutes to indicate the executive board authorized or approved expenditures where there was no such authorization or approval. During the period audited, minutes for Local 1208's executive board meetings were taken by the recorder and later the secretary-treasurer. They were written in a notebook by hand. Those minutes were not kept bound as required by Article 34(E) of the International Constitution, but were reportedly destroyed. The minutes that were provided to the International Union as part of its review and audit were typed. The typed minutes included documentation of the executive board authorizing and approving various expenditures that Santana and Lidia testified were never brought before the executive board for a vote. For instance, typed documents that were not the official minutes of Local 1208's executive board meetings, but that were provided as such, indicated Local 1208's executive board voted

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to authorize/approve the trips to the Dominican Republic and Sea World. No such votes, however, ever took place.<sup>4</sup>

Finally, evidence was presented demonstrating the local union president and secretary-treasurer sought to obstruct the ongoing investigations of the local union's finances by attempting to conceal information or convey false information regarding local union expenditures. The DOL is currently investigating the local union for compliance with the Labor Management Reporting and Disclosure Act, which governs the proper use and reporting of the local union's funds and expenditures. The International Union learned that the local union secretary-treasurer instructed Santana, who did not have a union-provided rental car, to tell the DOL, if asked, that Local 1208 provided him a rental car. When Santana asked the secretary-treasurer for a reason for this instruction, the secretary-treasurer responded that he had learned that the local union president had rented a vehicle for his son. Also, during the course of the International Union's current audit and review of the local union's finances, the local union president attempted to cause local union employees to give the International Union investigators false information concerning the purpose for the aforementioned Dominican Republic trip. Additionally, as discussed above, documents purporting to be minutes from Local 1208's executive board meeting were manufactured and given to the International Union to indicate there was board authorization or approval for expenditures where there was none.

Ludlum and Slaughter did not attend or provide evidence or testimony at the hearing.

Terry Evans (Evans), Billy Smith (Smith), and David McDaniels (McDaniels), members of Local 1208, testified on their own behalf at the hearing. All three (3) testified in support of the trusteeship. Evans stated that the president and secretary-treasurer of Local 1208, "have wronged my brothers and sisters at their own expense. I would like to leave this up under trustee leadership." Smith testified, "I agree we should keep the trustee[ship] ongoing." McDaniels testified, ". . . I agree with Terry [Evans], after hearing the evidence, this needs to be cleaned up and this trusteeship needs to continue until we elect a new president and a new secretary-treasurer."

No member testified or presented evidence in opposition to the imposition of or continuation of the trusteeship.

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<sup>4</sup> I credited Santana's and Lidia's testimony with respect to the executive board minutes, but did not credit Victor's testimony. Victor appeared confused when testifying and gave contradictory information regarding his knowledge of a typed document purported to be minutes from a March 25, 2012 Local 1208 executive board meeting.

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### III. Conclusion

The evidence, as detailed above, is uncontested and demonstrates the local union president and secretary-treasurer engaged in financial malpractice, and failed to properly administer the finances and affairs of the local union in compliance with federal law, the International Constitution, and the local union's bylaws. The two top officers also did not properly report expenses to the local union executive board or obtain proper approval for payment. In addition, Local 1208 did not maintain accurate minutes of the executive board meetings concerning approvals for local union expenditures. Finally, the local union president and secretary-treasurer sought to obstruct ongoing investigations of the local union's finances by attempting to conceal information or convey false information regarding local union expenditures.

Thus, based on the findings as set forth in this report and the attached transcript and exhibits, I recommend the International Executive Committee uphold the imposition of the trusteeship of Local 1208 and that the trusteeship continue, in accordance with the provisions of Article 9(F) of the International Constitution. The trusteeship and its continuance are consistent with the requirements of the Labor Management Reporting and Disclosure Act of 1959 and Article 9(F) of the UFCW International Constitution, which govern this trusteeship. The imposition and its continuance serve the legitimate interests of the International Union, including, among other things, correcting corruption or financial malpractice; protecting the local union's funds, property, documents, and records; and assuring compliance with the International Constitution, local union bylaws and federal law.

Sincerely and fraternally,

Handwritten signature of Lisa D. Pedersen in cursive script.

Lisa D. Pedersen  
Local No. 1208 Trusteeship  
Hearing Officer